

JUNE IS HOMEOWNERSHIP MONTH!



Committed to the future of rural communities.

# ILLINOIS Guaranteed News June/July 2005



## YOUR KEY TO FINANCING DREAMS: Rural Development Guaranteed Loans

### NOW AVAILABLE ONLINE:

- Real Estate Professionals Guide to RD Financing
- Approved Manufactured Home Dealers in Illinois

### NEW BROCHURES NOW AVAILABLE FROM YOUR LOCAL RD OFFICE:

- Guaranteed Loans
- Direct Loans
- Repair Loans/Grants

Lenders throughout Illinois are discovering the advantages of choosing 100% Guaranteed Rural Development financing for their clients. There are thousands of homebuyers who can qualify through Rural Development to purchase their first home, or move up into a larger home to better meet their needs.

**"What is so great about Guaranteed financing?"** Glad you asked! It is almost always better for the client!

#### Guaranteed Financing Benefits 101

1. **100% financing, no downpayment;** Clients can keep their savings for emergencies, investments, debt payoff, moving expenses, items for the home, etc.
2. **No expensive monthly mortgage insurance;** MI can add an additional
3. **Not FICO driven;** Guaranteed loans offer flexible credit guidelines focused on making common sense decisions. Clients with NO credit are not a problem to qualify.
4. **No maximum purchase-price;** Clients may buy the home that best meets their needs without price restrictions.
5. **30 year fixed rates;** The mortgage payment a client qualifies for today, is the payment they can count on in the future without adjustments.
6. **Expanded Qualifying Ratios;** Clients will qualify for a larger/newer home to meet their needs.
7. **No asset limit;** There are no limits to cash, savings, investment, and

other assets.

8. **Easy Inspections;** Visit the IL Guaranteed website for an annotated VC sheet, or Exhibit G for a home inspection guide.
9. **Generous income limits;** Guaranteed loans are for moderate income borrowers.
10. **No recapture/pre-payment penalties**
11. **Work with local lenders;** Clients may apply through any approved lender.
12. **NOT just for first time homebuyers!**

#### LOG ON:

[www.rurdev.usda.gov/il/grh.htm](http://www.rurdev.usda.gov/il/grh.htm)



## THINK RURAL DEVELOPMENT FINANCING FIRST! LOG ON: [www.rurdev.usda.gov/il/grh.htm](http://www.rurdev.usda.gov/il/grh.htm)

### MORE ADVANTAGES TO CHOOSING 100% GUARANTEED FINANCING FIRST.....

- Interest rates comparable to, or better than, conventional conforming rates
- No "hits" to complicate (and possibly increase) pricing
- Commissions lenders receive for Rural Development loans compares to and/or exceeds those on conforming loans
- CRA credits earned with every Rural Development loan closed



## Illinois Association of Realtors® 1Q 2005 report: Median Home Price \$179,000

**FLAG DAY IS JUNE 14TH!**

### RURAL DEVELOPMENT WAS THERE:

IAR SPRING CONFERENCE IN  
COLLINSVILLE, IL.  
MAY 4TH & 5TH 2005

Rural Development was part of the 719 attendees including the exhibitors. Realtors® learned more about Rural Development and how RD can assist them in closing more sales in less time. The conference was a huge success and RD is proud to partner with IAR. Together we can help more buyers achieve the dream of homeownership.

The Illinois Association of Realtors® released first-quarter home sales on May 11, 2005. Home sales in Illinois remain very strong. The median price of a single-family home during the first quarter was \$179,000. Sales gains were reported in 45 of 95 Illinois counties, and 65 counties reported an increase in median sales price. Counties that saw median price increases range from a 5.6% in Adams county (\$75,250) up to a 19.7% increase for Winnebago (\$118,500). The affordability index was also reported as 184.75. The affordability index reveals that a family of four earning the statewide median income of \$74,576 had 184.75 percent of the income needed to qualify for conventional financing covering 80 percent of a home priced at the median price of \$179,000. The 20 percent down payment would be \$35,800—that's a lot of cash! As real estate professionals and lenders know many of today's homebuyers do not have a 20 percent down payment. Affordable and flexible home financing options are responsible for the majority of home purchases made today. Rural Development is proud to be one of your affordable housing options.

## *Illinois Rural Development is #1 for 100% Guaranteed Lending!*



## ELIGIBILITY NEWS FLASH: More Illinois towns qualify!

Illinois Rural Development is pleased to announce that more towns have recently become eligible for RD programs. This is a wonderful opportunity to begin serving the citizens of these communities with 100% financing opportunities for homeownership. The newest additions to Illinois eligibility are:

- \* Carbondale; Jackson County
- \* Bartonville; Peoria County
- \* Elwood; Will County
- \* Bethalto; Madison County
- \* Maryville; Madison County

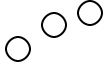
**If you are a lender or a real estate professional actively working in these areas your market of prospects just dramatically increased!** Rural Development financing options qualify more borrowers today with flexible credit guidelines and expanded ratios. Offering Rural Development financing to clients enables you to maximize their buying power and achieve affordable payments and terms. If you are not an approved lender with Rural Development, or if you are a real estate professional interested in learning what approved lenders are in your area, contact your local Rural Development office today for more information.



## G.U.S. Pilot to begin in Illinois soon!

Rural Development will implement the first release of the new Guaranteed Underwriting System (GUS), an automated underwriting recommendation system in June 2005. The new system automates the traditional manual underwriting process by automating application and credit decision-making recommendations. GUS will help to bring the RD Guaranteed loan origination automation up to the industry standard and improve the consistency of loan

underwriting and review decisions. The **STATE BANK OF LINCOLN** located in Lincoln, IL, will be the first approved lender in Illinois to participate in the pilot program. State Bank of Lincoln was one of 2004's Million Dollar Lenders, and is currently one of the top five lenders in the state for guaranteed loans.



## MAXIMIZE BUYING POWER: Get the 411, on a 2-1-0!

**Q:** Clients dreaming of a home that they may not qualify for?

**A:** CONSIDER A BUYDOWN!

A 2-1-0 Buydown is a great way to assist your client in qualifying for a home today. A buydown is when the seller, broker, lender, or builder contributes 2.5% to “buy down” the interest rate for the first two years of the loan. The interest rate will then increase 1% per year for the next 2 years, hence 2-1-0. For example if Bob can qualify for a 100% Guaranteed loan at 6%, **and** Bob has a funded buydown from his seller.....the first year of Bob’s loan will be at 4% interest, the second year will increase to 5%, and the third year Bob’s interest rate will increase and lock at 6%.

### BUYDOWNS IN ACTION:

Bob’s Gross Salary: \$40,000

Bob’s Debts: \$300 car payment, \$100 student loan, \$20 visa = \$420 monthly

Rural Development offers expanded qualifying ratios of 29/41%. Based on Bob’s gross income he can afford a home around \$120,000. But Bob has fell in love with a much more expensive house that best meets his needs. A home for \$130,000 puts his ratios at 32/45. **BOB’S LENDER SUGGESTS A BUYDOWN!**

Bob purchases the home at the list price of \$130,000 and the seller contributes 2.5% towards the buydown, closing costs, etc. **(Seller nets \$126,750: a 97.5% sales price—well within reason)** Let’s look at Bob’s house payments including taxes (\$250/month) and homeowner’s insurance (\$50/month).

<b>Year 1: 4% interest rate</b>	<b>Year 2: 5% interest rate</b>	<b>Year 3: 6% interest rate—LOCKS</b>
<b>\$920</b>	<b>\$998</b>	<b>\$1,079</b>

**Bob can now qualify for the home at 4%. Bob’s new ratios are 27/40. APPROVED!!**

Bob can anticipate the small increments his housing costs will increase each year until the interest rate locks at year three. Lenders must counsel buydown clients and determine that the buydown is in their best interest. Clients who have seen increases in their annual salaries each year, or are in a profession where advancement is imminent are perfect candidates for a buydown. The buydown can assist clients to purchase a larger/newer home, or a home with the amenities they prefer.

The buydown is inexpensive and can be paid by the seller or the buyer. **Buydown funds are NOT eligible to be rolled into the loan**—they must be paid by the seller or other party. 2.5% of the purchase price normally covers the cost of the buydown as well as provides a small cushion which can be applied to closing costs.

**\* No prepayment penalties \* No recapture \* Buyer may sell or refinance at any time**

**MAXIMIZE YOUR CLIENTS BUYING POWER BY CHOOSING 100%  
GUARANTEED FINANCING!**

## MAXIMIZE FIRST-TIME BUYERS: IHDA is perfect partner to RD!



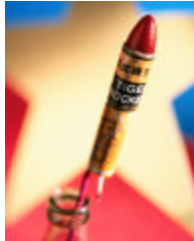
The I-Loan Certificate (Mortgage Credit Certificate, a.k.a. MCC) allows first-time homebuyers to receive a dollar for dollar reduction in federal income taxes of 25 percent of their mortgage interest. This reduction is in addition to the standard income tax deduction available when purchasing a home. An I-Loan Certificate is good for the life of the loan if the original borrower stays in the house.

The 25 percent deduction may be used to reduce the monthly mortgage payment for qualification purposes, or considered additional income. Revisiting Bob: \$130,000 mortgage, 6% rate = \$7,800 interest paid 25% of that = \$1,950 credit off his annual federal income tax burden **OR** \$162.50 deduction from his monthly mortgage payment of \$1,079 = \$916.50.

I-Loan Certificates require a \$100 application fee, and a \$250 fee at closing which is forwarded to IHDA. Imagine the purchasing power of a client who secures a BUYDOWN AND AN I-LOAN CERTIFICATE! Creative financing is a wonderful science! Visit [www.ihda.org](http://www.ihda.org) for more information regarding I-Loan Certificates.



*June is  
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**ENJOY A HAPPY AND SAFE JULY 4th HOLIDAY!**

## COMMITTED TO THE FUTURE OF RURAL COMMUNITIES: Guaranteed Community Facility & Business and Industry loans

### Guaranteed Community Facility Loan Program

Community facilities are essential to the quality of life in rural communities. Rural Development can work with local lenders, including, savings & loan associations, mortgage companies, and Farm Credit System banks to offer loan guarantees to help finance essential community facilities.

Eligible projects include:

- Health Care: hospitals, clinics, nursing homes, ambulatory care centers, etc.
- Public safety projects: police & fire stations, fire & rescue vehicles, and communication centers.
- Public Services: adult & child care centers, courthouses, airports, schools, fairgrounds, jails, etc.

Eligible entities include nonprofit organizations, municipalities, counties, other public subdivisions, and special-purpose districts. Loans are limited to unincorporated rural areas and incorporated towns of 20,000 or less.

If you are interested in learning more about how Rural Development Community Facility loans can benefit your community call **Karen Lee at 217-403-6213**.

### Guaranteed Business and Industry Loan Program

Rural Development works with local businesses and area lenders to promote a dynamic rural economic environment with programs to develop and expand business opportunities.

The Guaranteed Business and Industry Loan program provides loan guarantees to local lenders serving businesses in communities with fewer than 50,000 people. Highlights of the program include:

- Loans to acquire, start-up, and expand businesses
- Loan amounts up to \$25 million
- Loan guarantees up to 80%
- Extended repayment terms
- Low one time guarantee fee

If you would like more information on energizing your community with an investment in local business, contact **Patrick Lydic at 217-403-6211**, or your local Rural Development office.

